

Message Text

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PAGE 01 TEHRAN 05127 120739Z
ACTION NEA-10

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E.O.11652: N/A
TAGS: BTIO, IR
SUBJ: LICENSING/INVESTMENT OPPORTUNITY:
ROLL GRINDER FACILITY.

REF: TEHRAN 2323 AND PREVIOUS

1. THREE-MAN COMMITTEE EVALUATING PROPOSALS FOR IDRO'S ROLL GRINDER FACILITY WILL TRAVEL ABROAD TO VISIT PLANTS OF ITALIAN, AUSTRIAN, GERMAN, SWEDISH AND AMERICAN CONTENDERS. ACCORDING TO ENGINEER TAJIK, AWARD WILL BE MADE WITHIN ONE MONTH OF TEAM'S RETURN TO IRAN IN EARLY JULY. (IN VIEW OF PAST EXPERIENCE ON THIS PROJECT, WE EXPECT SLIPPAGE IN AWARD DATE.)

2. TAJIK DEPARTED TEHRAN JUNE 6 FOR STOP IN EGYPT ON OTHER IDRO BUSINESS, AFTER WHICH HE WILL JOIN COLLEAGUES FOR SWING THROUGH EUROPE, DEPARTING STOCKHOLM LATE JUNE FOR VISIT TO TELEDYNE FACILITY IN LIMA, OHIO FOLLOWED BY DISCUSSIONS IN TELEDYNE LOS ANGELES OFFICE. SOME OF GROUP WILL VISIT TOKYO FOLLOWING LOS ANGELES STOP BUT IT WAS NOT CLEAR WHETHER THIS INVOLVED VISIT TO A JAPANESE CONTENDER NOT PREVIOUSLY IDENTIFIED OR FOR UNRELATED BUSINESS.

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3. TAJIK MENTIONED THAT BASIS FOR ASSOCIATION IS (AGAIN) SUBJECT TO NEGOTIATION IN VIEW OF LACK OF STRONG INTEREST EXPRESSED BY ANY PROSPECTIVE PARTNERS IN EQUITY PARTICIPATION. HE SAID IDRO HAD BEEN UNABLE TO INDUCE INTEREST IN EQUITY AS FIRMS WERE APPARENTLY "SCARED" OF EQUITY LIMITATION AND STOCK DIVERTITURE PROGRAM AND "OTHER MEASURES". TAJIK THEN WENT ON TO SAY THAT UNDER

IRANIAN REGULATIONS A SHAREHOLDER NEEDS ONLY 17.5 PERCENT TO HAVE SEAT ON BOARD OF DIRECTORS AND THAT PERHAPS PROSPECTIVE VENTURERS DID NOT REALIZE THAT THEY COULD HAVE A SIGNIFICANT VOICE IN MANAGEMENT EVEN AT RELATIVELY LOW LEVEL OF EQUITY PARTICIPATION. IDRO CLEARLY STILL PREFERS EQUITY PARTICIPATION AND WE WOULD ASSUME THAT SUCCESSFUL BIDDER WILL BE COMPANY WHOSE TERMS COME CLOSEST TO IDRO'S WISH FOR AS MUCH ACTIVE PARTICIPATION AS POSSIBLE IN TERMS OF MANAGEMENT AND KNOW-HOW.

4. ACTION SUGGESTED: CAGNE AND/OR SIPS MAY WISH TO DISCUSS VISIT WITH TELEDYNE OFFICE TO SEE IF ANY ASSISTANCE IS DESIRED AND MAY ALSO WISH CONSIDER POSSIBILITY OF ARRANGING MEETING WITH TEAM (INCLUDING REPS FROM INDUSTRIAL CREDIT BANK AND FROM NATIONAL IRANIAN STEEL CORPORATION) TO DISCUSS POSSIBILITY OF OTHER PROJECTS INVOLVING THEIR ORGANIZATIONS (SEE 76 TEHRAN 10366 SUBJECT IDRO/JOINT COMMISSION). ALTHOUGH TAJIK DID NOT REQUEST ANY SPECIFIC ASSISTANCE, BELIEVE COURTESY OF APPROACH FROM COMMERCE WOULD BE APPRECIATED AND SUPPORTIVE OF HIS APPARENT ENTHUSIASM FOR U.S. SERVICES/PRODUCTS. HE IS IN EARLY THIRTIES, U.S.-TRAINED (UCLA), WIFE IS ACCOMPANYING.

5. COMMENT: TAJIK'S COMMENTS ON LACK OF INTEREST IN EQUITY PARTICIPATION IN THIS PROJECT REFLECT GENERAL LACK OF RESPONSE TO IRANIAN STATED DESIRE FOR EQUITY PARTICIPATION BY FOREIGN FIRMS. IT IS ONLY IN RECENT MONTHS, HOWEVER, THAT IRANIAN OFFICIALS HAVE LIMITED OFFICIAL USE

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VERBALIZED FACT THAT FOREIGN INVESTMENT IS NOT ATTAINING DESIRED LEVEL. THIS ADMISSION HAS NOT IN MOST CASES BEEN ACCOMPANIED BY ACKNOWLEDGMENT THAT EQUITY LIMITATION, SHARE DIVESTITURE, AND GENERAL UNCERTAINTY REGARDING FUTURE FOR FOREIGN-OWNED EQUITY IS CAUSING MOST PROSPECTIVE PARTNERS TO "WAIT AND SEE" OR TO OPT FOR LESS RISKY LICENSING OR ROYALTY ARRANGEMENTS. PRESENT STANCE, AS INDICATED BY TAJIK'S COMMENTS, IS EXPRESSION OF BEWILDERMENT AT FOREIGN FIRMS' FAILURE TO TAKE ADVANTAGE OF "EXCELLENT" OPPORTUNITIES

HOPEFULLY HOWEVER, INITIAL ACKNOWLEDGMENT THAT PROBLEM EXISTS WILL LEAD WAY TOWARD BETTER PUBLIC RELATIONS ON SUBJECT OF INVESTMENT AND THOUGHTFUL ADJUSTMENT OF CIRCUMSTANCES. END COMMENT.
SULLIVAN

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